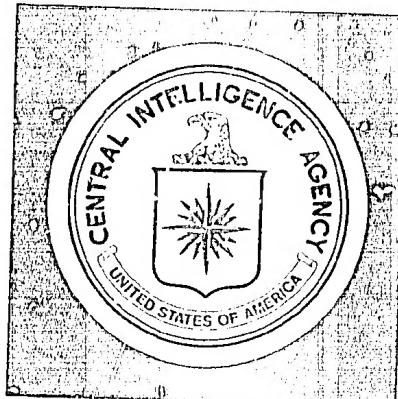


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# Weekly Review

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April 11, 1975

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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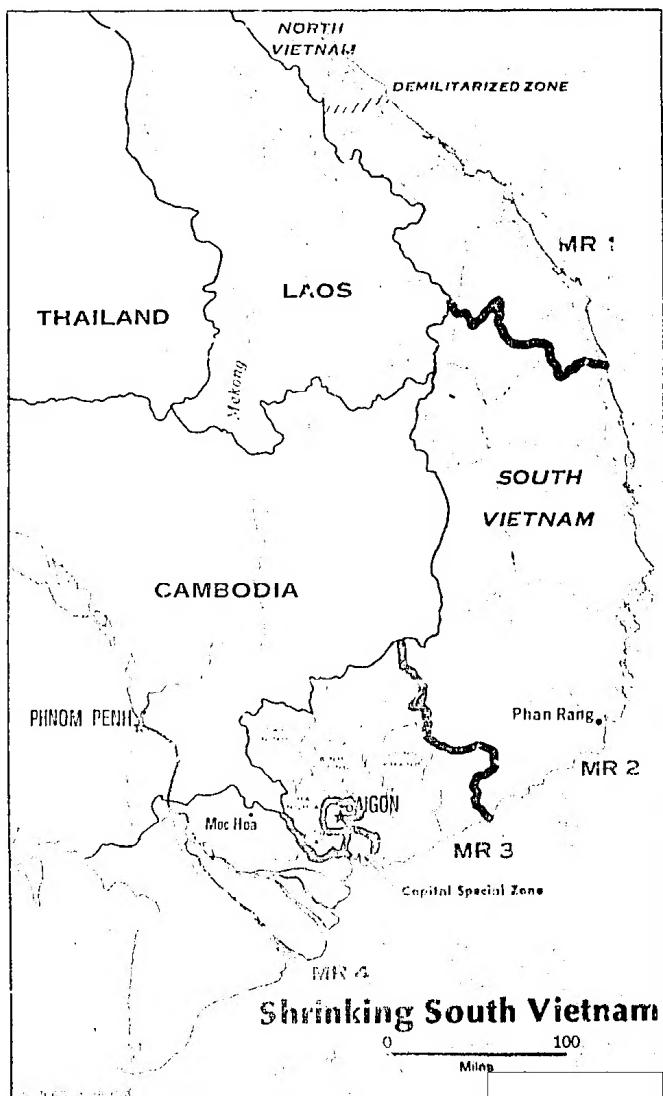
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# INDOCHINA

## Vietnam: Focus on Saigon



After a week's lull, the communists have opened a new round of fighting with Saigon the ultimate target. Hanoi now appears in position to take whatever action is necessary to force the war to an early conclusion. The remaining questions have to do with timing and tactics, and whether a political solution can be arranged—on communist terms—prior to a final South Vietnamese military collapse.

At midweek, parts of three North Vietnamese divisions supported by artillery and armor attacked the capital of Long Khanh Province east of the capital while part of another division moved against the capital of Long An Province to the southwest of Saigon. Other communist forces that had been threatening the provincial capital of Moc Hoa in the northern delta have now withdrawn, apparently in keeping with communist plans to step up the pressure closer to Saigon.

New communist instructions call for achieving final victory this year—rather than in 1976 as predicted in earlier communist directives. The new instructions claim that communist gains have far exceeded expectations for 1975 and have created the "most opportune moment" for total victory this year. The new plans call for the communists to press the attack and expand their territorial holdings during April by "liberating" Tay Ninh, Hau Nghia, and Binh Duong provinces. [redacted] the communists are planning a three-pronged assault on Saigon itself from the south, west, and north.

The past week of relative inaction has given the government some chance to consolidate its military position. Nevertheless, in terms of capabilities, the strategic balance decisively favors the communists. The North Vietnamese now have 18 infantry divisions in South Vietnam supported by numerous armor, artillery, and air-defense units. Eight of these divisions are in Military Regions 3 and 4. Moreover, there are strong indications that a North Vietnamese army corps headquarters and three more reserve divisions are moving to South Vietnam.

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By comparison, the South Vietnamese at this moment have only seven combat-ready infantry divisions. They are, however, rebuilding three divisions from personnel extracted from the northern provinces and plan to form two more by early summer.

The government's long-term prospects are bleak, no matter how well Saigon's forces and commanders acquitted themselves in the fighting that lies ahead. This is already beginning to become an accepted judgment, within both civilian and military circles in South Vietnam.

Meanwhile, in an obvious effort to encourage a political upheaval in Saigon, the communists are again stating their willingness to negotiate with a post-Thieu government. But Hanoi is making it clear that it is not interested

in a compromise but rather in a fig leaf for a North Vietnamese take-over under military pressure.

Pressure is building among the civilian opposition and among some military commanders for President Thieu either to exert vigorous leadership or step aside. So far, Thieu has shown considerable skill in keeping the opposition divided. He is aided by the fact that there is no single figure who his various political and military critics believe would provide more effective leadership. Thieu's new nominee for prime minister, Nguyen Ba Can, hopes to have a government formed by this weekend. Can will try to encourage representatives from the civilian opposition to join the cabinet. There is considerable reluctance, however, especially among important Buddhist and Catholic groups, to be associated with a Thieu government

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### **USSR: REACTING TO INDOCHINA**

Like almost everyone else, the Soviets have been surprised by the pace of events in Indochina, particularly in South Vietnam. But Moscow has adjusted easily to the changing circumstances.

The Soviet technique has been to use many of the same formulations as before, allowing the changed circumstances to give those words new meaning. For example, when calling for negotiations between the communists and the Saigon government before the recent military collapse, the Soviets probably had in mind an end result similar to the pattern of Laos—a set-up that gave the communists room for political as well as military maneuver. At this juncture, however, Moscow's call for negotiations can mean little more than an interest in finding a means for an orderly assumption of power by the communists. Moscow may also have a genuine, although perhaps not intense, interest in a denouement in South Vietnam that reflects well on the responsibility and humaneness of its friends in Hanoi.

For the moment, the Soviets emphasize the collapse of authority in South Vietnam rather than the actions of the North Vietnamese. *Pravda* commentator Yuriy Zhukov on April 5, stated that the new situation in South Vietnam opened up a clear prospect for peace, by which he presumably means that an early communist take-over is a good prospect.

The Soviets are also still talking about negotiations in Cambodia, although again they view any such talks only as a device to provide an orderly transfer of power. Deputy Chief Kuznetsov of the Soviet Foreign Ministry's Southeast Asia Division recently told an Italian diplomat that Moscow recognizes that Prince Sihanouk will probably play some role in Phnom Penh after a communist victory. Kuznetsov discounted Sihanouk's long-range importance, however, and repeated long-standing Soviet complaints about the Prince's unreliability.

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# INDOCHINA

## Cambodia: Continued Erosion

The erosion of Phnom Penh's outer defenses reached the point at week's end where a major Khmer communist penetration or a general collapse of government units—or both—appeared imminent. The most serious communist encroachments occurred along the defense lines northwest of the city, where the insurgents edged to within four miles of the airport. Steady fighting had also worn holes in government defenses near Route 5 north of the city. Communist gunners kept the airport under sporadic artillery and rocket fire during the week, forcing a partial halt to the US airlift on April 10. Khmer air force operations have begun winding down as the result of almost daily aircraft losses.

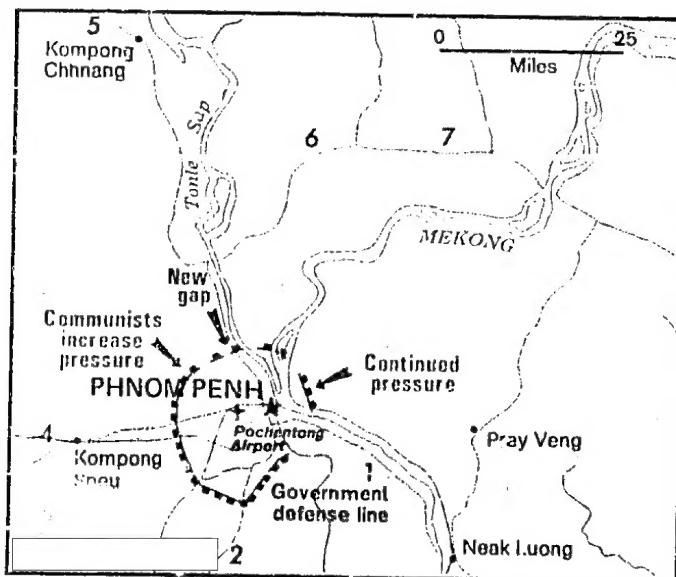
To the west, communist ground attacks along Route 4 forced government units to abandon a number of positions, and front lines in this sector were within several miles of the army's main ammunition dump. On the other side of the capital, relentless insurgent pressure forced government troops into a relatively small

enclave on the Mekong River's east bank directly opposite the city. At week's end, communist recoilless-rifle fire began hitting along Phnom Penh's waterfront.

Although the communists have begun calling in units from the countryside to participate in increased attacks on Phnom Penh, this did not prevent them from attacking the government-held provincial capitals of Prey Veng and Kompong Speu. Defenders at Prey Veng gave ground initially but appear to be holding. Kompong Speu is more seriously threatened, with some fighting having occurred near the center of town.

### False Hopes

Prime Minister Long Boret returned to Phnom Penh this week amid speculation that some sort of a breakthrough toward "negotiations" had occurred. There is no evidence, however, that Sihanouk or the Khmer communists have backed away from their outright rejection of any "compromise or negotiations." Speculation concerning negotiations was fueled by Thai claims that a meeting had been arranged in Bangkok between Boret and a "representative from the opposition government." This representative was undoubtedly Sihanouk's son, Prince Yuvaneath, who had been in Bangkok before with the approval of the Thai government. Yuvaneath—who has a reputation as a playboy and who has been staying in Macao—clearly has no authority to speak for his father, let alone the Khmer communists. At best, he might be expected to relay some message from Boret to Sihanouk. Under present conditions, however, Boret would appear to have little to offer the other side except surrender.



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## THE ARAB SIDE OF CONFRONTATION

### SYRIA-EGYPT: FRAYED RELATIONS

Cairo and Damascus are seriously at odds again as a result of President Sadat's independent initiatives since the suspension last month of indirect Egyptian-Israeli negotiations for a new Sinai withdrawal agreement. The Syrians are irked that the Egyptian leader did not coordinate with them before requesting that the Geneva peace conference be reconvened and announcing that Egypt would extend the mandate of the UN Emergency Force and reopen the Suez Canal. Given their already deep suspicions of Egyptian motives, the Syrians probably regard Sadat's actions as a ploy to buy Cairo more time to pursue a separate deal with Tel Aviv.

Sadat's tendency to act alone has been a major source of Syrian distrust of the Egyptian President, inhibiting effective cooperation between the two countries. Syrian President Asad and Sadat shunned each other at King Faysal's funeral two weeks ago, and Asad deliberately

avoided Cairo on his way to and from Libya on March 28.

The Syrians apparently were caught flat-footed by Sadat's diplomatic initiative, which greatly reduces their own political options. After calling for the resumption of the Geneva talks for so long, Damascus is hardly in a position now to criticize Sadat for doing the same. The Syrians are probably especially annoyed that Sadat presumed to speak for all Arabs in urging that European and nonaligned participants be invited to attend the Geneva talks.

For all his misgivings about Sadat, Asad probably still sees little alternative to trying to work with Egypt to realize Syrian objectives. Damascus' actions over the next few months, therefore, are likely to be aimed, at least in part, at curbing Sadat's independence and forcing him to coordinate his moves more closely with Syria.

The Syrians have nevertheless refrained from attacking Sadat publicly and are venting on the US some of their frustration over the lack of progress in negotiations. The controlled press has expressed strong skepticism that the reassessment of US policy will lead to any real change in Washington's approach to Middle East negotiations. In addition, the Damascus media have recently taken the harder line that Israel must commit itself to withdraw to 1967 borders and to recognize the rights of the Palestinians before the Geneva conference can be reconvened. One columnist, writing in the Baath Party paper, even hinted that Syria might boycott the Geneva talks unless Israel makes these commitments.

### PARTY CONGRESS IN DAMASCUS

A congress of Syria's Baath Party opened on April 5 to elect a new executive group and to ratify President Asad's position on Middle East peace negotiations. According to press reports, the congress is considering tough resolutions endorsing Asad's recent proposal for joint Syrian-Palestinian political and military commands, rejecting any new step-by-step negotiations, and urging better Arab-Soviet relations.



Sadat and Arafat during recent meeting

Asad and his supporters have taken precautionary measures over the past few weeks to ensure that the congress is stacked in their favor. A large number of Syrian Baathists known to be ideologically aligned with the more radical Iraqi Baath Party have been detained; some have been charged with conspiring with Baghdad against the Syrian government. In most cases, the charges may well have been pressed to get critics out of the way for the party elections that preceded the congress. One effect of the harsh measures has been an undercurrent of uneasiness in Damascus and a bumper crop of coup and counter-coup rumors.

Perhaps partly to counter such rumors, President Asad used his opening speech to the party congress to stress that his government, which has been in power since 1971, has provided Syria with its first extended period of political stability. He pointed out that the present party congress is the first to serve a full four-year term.

#### THE EGYPTIAN ANGLE

The Egyptians, who have made only oblique public references to their current dis-

pute with the Syrians, see themselves as the aggrieved party. Sadat believes he proved his Arab credentials when he rejected Israel's demand for a nonbelligerency pact and forfeited the early return of more Egyptian territory. He is clearly resentful that even this has not stilled Syrian criticism of Egyptian policy.

Sadat seems to have deliberately minimized his contacts with Asad since the 1973 war in an effort to maintain his freedom of action in negotiations. The subsequent deterioration in relations, however, has increased rather than lessened Sadat's problems with Syria, and threatens ultimately to limit his room to maneuver.

#### ARAFAT IN CAIRO

Palestine Liberation Organization chairman Yasir Arafat was in Cairo this week—for the first time in several months—attempting to repair his frayed relations with Egypt. In meetings with President Sadat and a variety of other Egyptian officials, Arafat almost certainly argued against Egyptian participation in another round of step-by-step negotiations and sought assurances that Egypt would insist on a role for the PLO if



the Geneva talks resume. Arafat's willingness to travel to Cairo at this time may have resulted from an assumption that the Egyptians, in the wake of the breakdown of the step-by-step approach, would be more likely to accommodate Palestinian interests.

In fact, Sadat apparently made few concessions to Arafat. According to sketchy accounts of their meeting, the President promised only that Egypt would continue its efforts to "guarantee" PLO participation at Geneva. It was also agreed that the two would work toward an early meeting of the "confrontation forces"—Egypt, Syria, and the PLO—to coordinate their strategies.

Arafat may have given more than he received. According to press reports from Cairo, he insisted that the PLO must attend the Geneva conference if the substance of the Palestinian problem was to be discussed, but conceded that the military secretariat of the 20-member Arab League could speak on behalf of the Palestinians if the conference were to consider only another round of military disengagement agreements. If confirmed, this concession marks a significant shift in Arafat's position toward that of Sadat, who recently suggested that the Arab League could represent the Palestinians at Geneva. Sadat considers this a possible way around Israel's objections to negotiating with the PLO.

Arafat's trip to Cairo was part of a general Palestinian effort, during the current period of diplomatic uncertainty, to get on good terms with all of the PLO's traditional backers. Arafat has visited seven Arab states in the past week, while the head of the PLO political department has been in Eastern Europe and North Africa. A PLO delegation reportedly will also soon travel to the USSR.

## RHODESIA: SITHOLE FURLOUGHED

Late last week, Rhodesian Prime Minister Smith temporarily released imprisoned insurgent leader Ndabaningi Sithole to attend, with other black Rhodesian nationalists, a special meeting of African foreign ministers that began on April 7 in Dar es Salaam, Tanzania. The ministers are discussing their countries' reaction to South African Prime Minister Vorster's policy of detente with black Africa and his resulting joint effort with four black African leaders to mediate a compromise settlement for Rhodesia.

Sithole, a militant leader of the Rhodesian nationalists' African National Council, was freed from ten years of detention last December following the truce—arranged by Vorster and his African collaborators—between Smith and Rhodesian insurgent groups. When Sithole was re-arrested a month ago, the other leaders of the council said they would not negotiate with Smith unless Sithole was released. Vorster and the black African mediators wanted to resolve the impasse before the foreign ministers' meeting in order to head off a move to censure the black mediators for their dealings with Vorster.

Vorster is known to have urged Smith last month to resolve the Sithole case, and the South African foreign minister visited Salisbury the day before Smith announced his decision. In his public statement, Smith explained his move as a "further indication" of his regime's "good will" and desire to "promote detente in southern Africa." In fact, he may have hoped that the presence in Dar es Salaam of Sithole, who has called for renewed guerrilla operations in Rhodesia, would sharpen frictions among the Africans.

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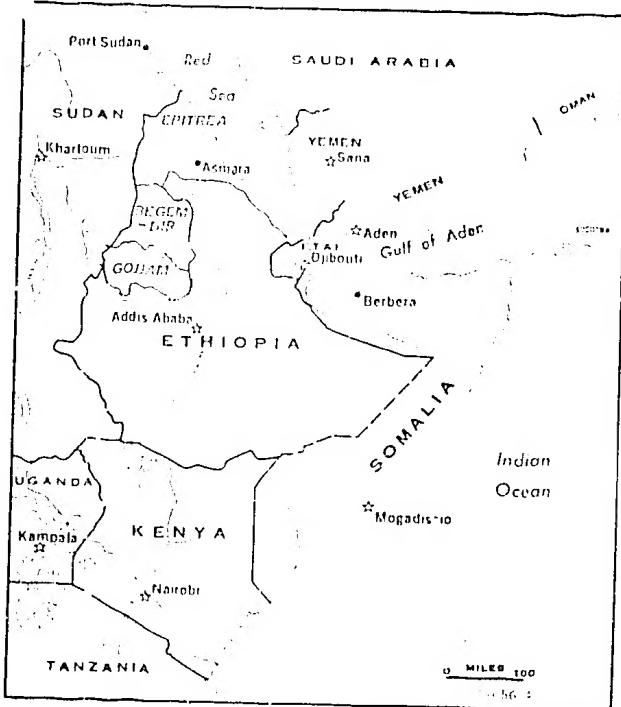
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## ETHIOPIA: SECURITY CONCERN

The government's military position in Eritrea has improved in recent weeks, and fighting has dropped off sharply from the high level that prevailed in February. Elsewhere in the country, however, new security incidents continue to tax the overextended army and police.

Government forces now control Asmara, the capital of Eritrea Province, and as much of the countryside as they choose to occupy in force at any given time. Army operations have denied the rebels sanctuaries and food supplies near Asmara. The government is now able to bring basic necessities, such as food and fuel, into the capital by military convoys, but industrial and commercial activities have not yet recovered because of supply problems and the exodus of foreigners in February.

The rebels continue to enjoy popular support and remain a formidable guerrilla force. They mine roads, stage ambushes, and skirmish with government troops on all the routes connecting Asmara with other important points. The government has not disputed the rebels' control of much of the western part of the province.



Asmara reported recently that the Ethiopian commander appeared determined to wipe out the insurgency, not simply contain it.

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Meanwhile, much smaller groups of armed dissidents are active in several other provinces. At least some of these groups are probably gaining strength as a result of opposition to the council's land reform program. Late last month, insurgents in eastern Begemdir Province fought a battle with army troops in which 60 insurgents were killed.

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In Gojjam Province—another area of traditional opposition to the central government—insurgents are also in the field, some led by local notables. On April 1-2, one group of dissidents surrounded and inflicted heavy casualties on a paramilitary police company. If the Gojjam insurgents pick up strength—and they may as the government begins to implement the land reform policy—they could pose a threat to one of Ethiopia's main north-south roads.

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The government's improved military position makes it unlikely that the ruling council will be willing to offer meaningful concessions to the rebels any time soon. The US consul in

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## PORUGAL: THE ROAD TO SOCIALISM

Prime Minister Goncalves this week defended Portugal's right to pursue an independent socialist course. At the same time, the major political parties moved toward legitimizing the military's control of the government.

Goncalves told a press conference that while there had been no outside interference in Portugal's affairs, other countries disapproved of its course toward socialism and there was danger of an economic boycott. A few days earlier, the new minister for planning and economic co-ordination had warned that such a boycott would result in the alignment of the Portuguese economy with "some political camp," despite the country's desire to remain independent.

While attempting to reassure foreign investors, Goncalves noted that some multinational companies had already left the country. The Prime Minister stated that Portugal could

not depend upon foreign aid and that it would have to rely on its own resources. Goncalves' remarks were probably prompted by the recent flurry of bilateral demarches by the NATO countries and the increasing restiveness in Western financial circles over Lisbon's radical economic measures.

Underlining Portugal's efforts to improve its relations with the Third World, Goncalves stated the US would not be allowed to use its Azores base against the Arab countries. He said Lisbon would respect its NATO commitments, but that the Portuguese people themselves must ultimately decide which international treaty commitments will be maintained.

Meanwhile, a plan to give constitutional legitimacy to the military's domination of the government is scheduled for approval by the political parties this week. The plan, referred to

Recent socialist rally in Lisbon



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as a "platform of understanding," provides only a limited role for the popularly elected legislative assembly and the cabinet for a transition period of three to five years. Key executive, legislative, and judicial powers are reserved for the Armed Forces Movement's Revolutionary Council.

The council will define the general lines of domestic and foreign policy, pass judgment on legislative acts of both the elected assembly and the cabinet, and determine the constitutionality of laws. In addition, the council will control the selection of the prime minister and the ministers of defense, internal administration, and economic planning. Although the legislative assembly theoretically will have the power to force a change in the cabinet with a vote of no confidence and to override a council veto with a three-quarters majority, the assembly apparently can be dissolved at any time by the president in consultation with the Revolutionary Council.

While the Movement may accept some minor changes in the wording of its platform, the moderate parties' efforts to limit the council's power have no prospect of success. Rather than risk alienation, therefore, they are expected to agree to the platform, hoping to continue to exert influence within the cabinet and the legislative assembly. The Communist Party and its front organization, the Portuguese Democratic Movement, quickly endorsed the platform. Five far-left parties, however, have announced that they will reject it.

In a recent interview, prominent Armed Forces Movement leader Admiral Rosa Coutinho proposed the formation of a socialist party that would more accurately express the views of the Movement. The party's political orientation, he said, would be somewhere between the Communists and the Socialists. Admiral Coutinho strongly dislikes the Socialist Party of Mario Soares and is reported to head a faction in the Revolutionary Council that opposes too great a reliance on the Portuguese Communist Party.

## SOYUZ LAUNCH FAILS

The Soviets failed last weekend in their attempt to orbit two cosmonauts in a Soyuz spacecraft. The cosmonauts were to have linked up with and boarded the Salyut 4 space station that is currently in orbit. The mission was terminated seven minutes after launch, however, because of failure in the booster's third stage. The cosmonauts' capsule was separated automatically from the rocket and landed safely in western Siberia.

While this event was not directly related to the Apollo-Soyuz Test Project, the failure has once again raised some serious questions about the overall reliability of Soviet systems and the safety of US astronauts. The Soviets have assured the US that the problem was unique to an "older" booster and will have no effect on the "newer" booster to be used for the Test Project launch. While it is true that some modifications have been made, we have evidence that indicates the booster has neither been changed nor been improved significantly.

The Soviets' next move is not clear, but we expect that it will largely be determined by US reaction to the failure. We believe they will forgo another visit to Salyut 4 because of possible scheduling problems that could impact on the Test Project launch date. Even before this failure the Soviets stated that they were preparing four crews and two launch vehicles to meet the July 15 launch date, which indicates the extent to which they are willing to go to ensure the success of the joint venture.

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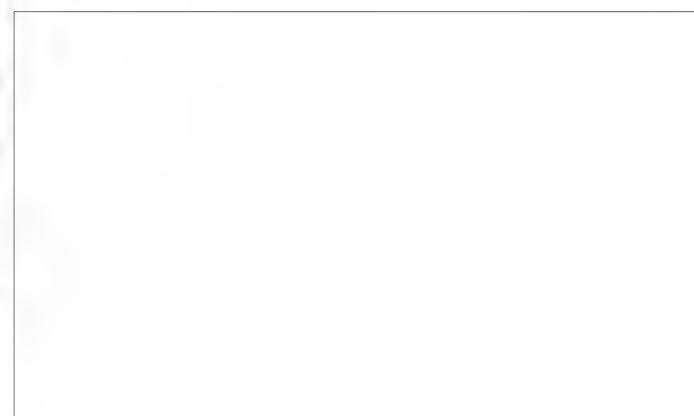
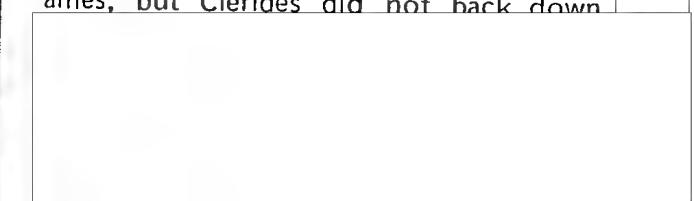
## GREECE-TURKEY-CYPRUS

### CYPRUS TALKS TO RESUME

Intercommunal talks are scheduled to re-open in Vienna on April 28, but sharp differences have arisen among the Greek Cypriots over negotiating strategy. In particular, Glafkos Clerides' role as the negotiator for the Greek Cypriots has been clouded in the past week, apparently as a result of a dispute with Archbishop Makarios.

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Clerides has been sharply attacked by the pro-Makarios press and political groups because of a recent speech in which he argued that a bizonal federation, as desired by the Turks, was probably the solution that would provide the Greek Cypriots with the best opportunity to regain some of the territory lost last summer and to achieve guarantees for the future. His statements drew immediate fire from Makarios' allies, but Clerides did not back down.



Clerides has used resignation threats in the past as a tactic to get his way. He would probably hope to gain assurances of support that would tie both Makarios and the Greek government to the unpopular concessions he feels he will have to make to obtain a settlement.

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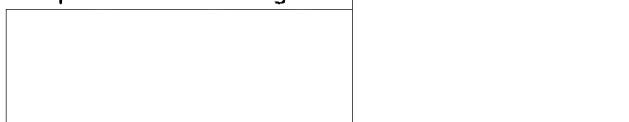
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Rauf Denktash, leader of the Turkish Cypriots, will continue as their negotiator, at least during the first sessions. The talks are reportedly scheduled to last only until May 2, but they may go on after that date in Vienna or Nicosia at a lower level. Should Clerides carry out his resignation threat, the talks might be derailed, at least temporarily.

#### THE AEGEAN ISSUE HEATS UP

Relations between Athens and Ankara remain troubled as each side appears increasingly ready to take risks to back up its claims to the Aegean. On a couple of occasions, the Greeks have fired at—but have failed to hit—Turkish aircraft that Athens claimed were violating its airspace in the Aegean.



#### DEMIREL PRESENTS HIS PROGRAM

Stepped up military activity by the Turks in the Aegean may reflect, in part, a desire by the Turkish General Staff to divert the attention of junior officers from the domestic political scene. Prime Minister - designate Demirel, who this week presented his program to parliament, is still unpopular with the army, which has already removed him from power once—in 1971.

In his program, Demirel called for a two-zone federal system for Cyprus; a reappraisal of relations with the US if the military aid cutoff is not ended; continued "attachment" to NATO; and an enlarged relationship with the EC. Demirel also stated his opposition to Greek military activity on islands near the Turkish coast and to Athens' claim to control the airspace over the Aegean. He noted that Ankara would negotiate with Athens, however, to gain equitable sharing of the continental shelf in the Aegean.

The vote of confidence on the Demirel program may come as early as April 11. The opposition, led by former prime minister Ecevit, is waging an intense campaign to defeat him, and while Demirel still appears to have a narrow majority, a switch of only one or two votes could change the outcome.



Demirel



In the present atmosphere of suspicion and charges from each side of provocative moves by the other, there is a danger that overreaction to a minor incident could result in a serious clash between the two countries. Publicly, each country denies what the other knows to be true: Athens claims it is not building up its forces on the islands in contravention of treaties while Ankara maintains that it is not overflying the Greek islands.

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## DISARMAMENT CONFERENCE ENDS

The Conference of the Committee on Disarmament concluded its spring session on April 10 in Geneva with its usual record of no accomplishments. The group's 30 active members used most of the session to reiterate standard positions on disarmament topics while calling for greater action on the part of the committee. Little progress was made on the new issues on which the last General Assembly asked the committee to submit reports—nuclear-free zones, environmental modification for hostile purposes, and peaceful nuclear explosions.

Instead of beginning a study of all aspects of nuclear-free zones as the General Assembly had directed, the committee spent most of its time arguing over procedural requirements. Although a compromise was eventually worked out on the size and membership of the group that will study the nuclear-free zone question, a consensus on the concept itself will probably not be achieved when the group meets this summer. The disarmament committee also agreed to schedule informal meetings of experts during its summer session on the two other assigned topics. These subjects remain controversial and raise serious policy questions for

most governments, but the informal meetings will not require governments to place their positions on the record.

Much of the debate at the committee's meetings centered on the review of the 1968 Non-Proliferation Treaty that is scheduled for this coming May. In their speeches, many members focused on what they consider to be the pressing need to implement the treaty's sections dealing with complete disarmament measures and methods for providing the benefits of peaceful nuclear development to non-nuclear states. Although the committee has had the negotiation of a comprehensive test ban treaty on its work program for years, no attempts were made at this session to proceed further.

Possibly out of frustration over the usually inconclusive results of these meetings, the Romanians proposed that the committee reform its methods and establish a definite agenda and work program at the beginning of each session. While the proposal met with some support, debate was inconclusive, and the committee is likely to retain its traditional emphasis on flexibility and resist attempts to structure its proceedings.

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## EASTERN EUROPE: VE DAY

Moscow and its allies are preparing a major propaganda production for next month to mark the 30th anniversary of the end of the war in Europe. A Central Committee decision published on February 9 spelled out the themes for the five-day celebration, which will be highlighted by a solemn commemorative meeting in the Kremlin Palace of Congresses on May 8.

In their publicity, the Soviets are asserting that their forces played the preponderant, decisive role in the defeat of the Axis powers. The other theaters of war are being treated as subsidiary, almost incidental, conflicts that did not materially affect the outcome. The war in the Pacific, for example, is almost totally ignored. Even where Allied contributions are conceded, such as in the air war over Europe and the Normandy invasion, the Soviets describe them as too little and too late.

The Soviets have a penchant for celebrating events at decade intervals, but there are probably other reasons for the attention given this anniversary:

- There is a concern over political laxness, particularly in the military, that has led to a concurrent campaign to improve discipline, vigilance, and combat preparedness.
- This probably is the last time that many in the present leadership will be around to commemorate the ten-year anniversary of an event which meant much to them and to their careers.
- It is an opportunity for the Soviets to flex their great-power muscles, to remind their own people and the world at large of Soviet military strength, past and present.
- It provides an occasion to reassert Soviet legitimacy in Eastern Europe and to celebrate Moscow's role in the establishment of socialist regimes there.

The main focus of the celebrations will be domestic, but the Soviets are attempting, ever

more insistently, to elicit participation from other countries involved in World War II. Although most Western Allies intend to send official delegations to the USSR, veterans groups will meet, and an exchange of naval visits with the US is planned, Moscow appears piqued that the response has not been more enthusiastic.

Most East European countries are following Moscow's lead in lauding the victorious achievements of socialism over fascism and capitalism during the war. The Bulgarian party newspaper recently added a new wrinkle by asserting that Sofia would also celebrate "the birth of the world socialist system." In the northern tier, Polish party chief Gierek will reportedly deliver a major speech at Auschwitz to an anticipated crowd of more than 100,000 former victims of Nazi crimes.

Moscow's handling of the anniversary is already stirring up some political problems. One is how to deal with the prickly question of Stalin's role in the war. His treatment will be read by knowledgeable Soviets as a current political barometer. So far, he has barely been mentioned in the publicity, but as May 9 approaches and the propaganda gets more specific, it will be more difficult to ignore him. Limited indications so far suggest that the Soviets will direct as little attention to Stalin's role as possible, but that they will treat it realistically when they do.

Even in Europe, the Soviets have problems. There is the risk that relations with Bonn will be worsened by Moscow's resurrection of the past. Belgrade has already reacted angrily to Moscow's slighting treatment of the role of Tito's partisans in liberating Yugoslavia, and Belgrade plans to stage a major military parade to emphasize its independent wartime achievements. The Romanians have also chosen to emphasize their nationalist views by playing up two near-simultaneous but unrelated anniversaries from their own history.

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Tito



Ceausescu

## YUGOSLAV-ROMANIAN COOPERATION

Belgrade and Bucharest increasingly give the impression of acting in concert as they reassert their independent roles in East European affairs and the communist movement.

Over the last two weeks, for example, Presidents Tito and Ceausescu have sharply criticized Soviet plans for the celebration of the anniversary of VE day. In addition, Ceausescu has rebuked communist ideologues who minimize the role of the nation and equate nationalism with anti-communism. Adding insult to injury, the Romanian leader mocked "some comrades" (read the Soviets) who turn to Marx, Engels, Lenin, and "even Stalin" for solutions to local problems that were never considered during their lifetimes.

The two maverick leaders may well have synchronized these reassessments of national independence. On the same day that Ceausescu leveled his broadside at Moscow, he met a high-ranking Yugoslav party official. The two agreed to expand their two parties' contacts on ideological matters, and Tito's subsequent speech stressed many points that the Romanian media are publishing.

There is also agreement on other key issues. Belgrade and Bucharest are worried about—and are actively collaborating against—what they view as Soviet efforts to re-establish the Kremlin's dominance in the international communist movement. The Yugoslav ambassador in Bucharest said last week that the Romanian and Yugoslav parties agreed that Moscow is trying to transform the European communist conference into a servile forum for Soviet views. The Yugoslav added that his party definitely would not attend under these conditions and further noted that the Romanians would also not accept this turn of events.

The ambassador also said that Romania is again interested in gaining observer status at the next nonaligned summit. He indicated he has recommended that Belgrade support this move and expressed confidence that obstacles that led Tito to block a similar Romanian initiative in 1974 were no longer important. Romania thus plans, with tacit Yugoslav approval, to approach other nonaligned leaders with its request for an invitation.

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## MEXICO: PRESIDENTIAL SWEEPSTAKES

During the past several weeks, the race for the presidency in 1976 may have been narrowed from a field of four to two strong contenders and a dark horse. The ruling Institutional Revolutionary Party will make its choice known this fall. In Mexico's dominant single-party system, the person picked is certain of election.

The front-runner is Secretary of Government Mario Moya Palencia, and the other possible choice is Secretary of the Presidency Hugo Cervantes del Rio, who has steadily risen from a possible compromise candidate to a strong contender. The man with the outside chance is Carlos Galvez Betancourt, the director of the Social Security Institute. The two who appear to be out of the running, at least for now, are Finance Secretary Jose Lopez Portillo and Labor Secretary Porfirio Munoz Ledo.

Lopez is thought to have lost ground last month when he heatedly denied a story in *Excelsior*, Mexico's leading daily, that the Finance Secretariat had drafted a sweeping capital tax law. As it turned out, the *Excelsior* description of the proposed law was based on a study rejected in 1971, but the damage had been done. Lopez' emotional rebuttal of the story, considered "unpresidential" by professional politicians, greatly damaged his prospects.

Cervantes, the rising contender, heads the department that coordinates the executive branch, which has given him the opportunity to become familiar with national problems. He probably is politically attuned to Echeverria, but suffers from a general impression that he lacks forcefulness.

Galvez, the dark horse possibility, has some strong political pluses if Echeverria decides to break tradition and go outside the cabinet for his successor. Galvez, for example, is from the same town that produced a revered past president, Lazaro Cardenas (1934-1940). Moreover, he has held elective office and more important, served ten years in the important Secretariat of Government.



Mario Moya Palencia

Nevertheless, Moya's chances remain the strongest. Four of the past five presidents served as secretaries of government, the second most powerful position in the government. In this post, Moya exerts control over the intelligence agencies, handles relations between the executive and the other two branches of government, makes key political appointments, enforces electoral laws, and oversees a host of other important political functions. He is said to be satisfied with the way the selection process is developing for him. The influential business and financial community appears to favor him over all others, and he probably has proven to Echeverria, a long-time associate, that he has the mettle to handle the presidential job.

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## VENEZUELA

### NO FINANCIAL BONANZA

Venezuela's oil earnings, now at peak, will not be enough for Caracas to bankroll developing countries' commodity support schemes or other major foreign projects. Over the next few years, rapid growth in imports almost certainly will put the current account in the red. The sudden jump in oil earnings has not altered petroleum's role in Venezuela's economy, although it has provided the funds to spur new export industries in the next few years.

Oil export earnings will gradually drop, from the high of \$10.3 billion last year, because of the government's oil conservation policies. Caracas' plans call for production to be only two million barrels a day in 1980, down from nearly three million last year. Moreover, domestic oil consumption will grow more rapidly toward the end of the decade as the petrochemical industry expands. By 1980, therefore, exports of petroleum and petroleum products will slip to about 1.5 million barrels a day, worth an estimated \$7 billion annually.

If Caracas holds to its industrialization schedule, exports of petrochemicals, steel, and aluminum will expand rapidly after 1977, reaching about \$3.5 billion by 1980. At this rate, exports other than oil would essentially offset the anticipated drop in oil exports.

With the sudden surge in foreign exchange last year, imports jumped about 65 percent—at 25 percent in volume—to \$4.6 billion. The value of imports will probably move up again this year, to \$6.4 billion. The rapid growth

reflects the large import requirements of extensive development in heavy industry, as well as rising imports of consumer goods, raw materials, and intermediate products for import substitution industries.

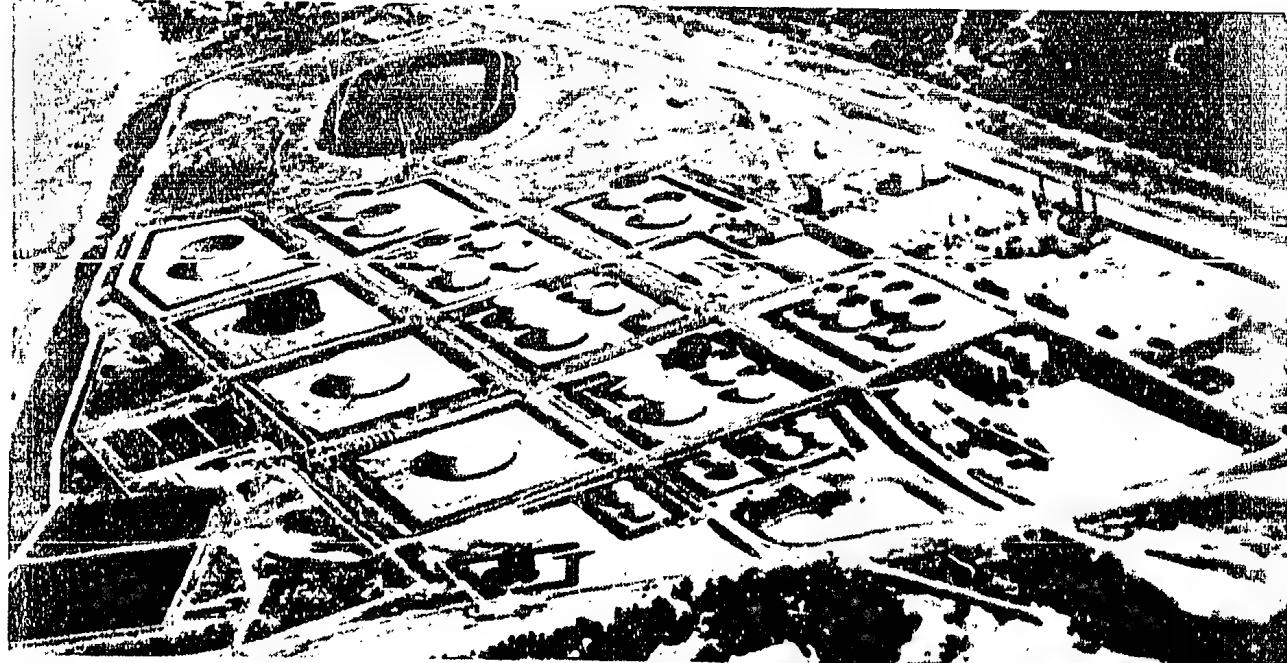
As the government tightens restrictions on imports to postpone sizable trade deficits, real import growth will drop to 15 percent in 1976 and to 10 percent a year after that. A 10-percent annual increase in the volume of imports probably is needed for real economic growth rates of 7-8 percent. Thus by 1980, imports should total \$12.5 billion.

If so, the current account surplus will end in 1977. Considering only the current account, foreign reserves will peak at about \$9 billion in 1976. As mounting trade deficits boost the current account deficit, foreign reserves will begin to drop and, by 1980, will be depleted. Under these circumstances, Venezuela will probably back away from major foreign aid commitments. Even with its present affluence, Caracas has been conserving its funds for use in building up its own export industries.

### AID TO CENTRAL AMERICA

Caracas does plan to recycle nearly half a billion dollars, or close to 1 percent of its 1975-80 oil receipts, to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. This aid, over the next six years, will enhance the Venezuelan image in Central America, but will do little to alleviate the immediate balance-of-payments problems of these countries. In the longer run, however, the aid could contribute

Oil refinery at El Palito



	Projected Oil Expenditures <sup>*</sup> 1975	Projected Trade Deficit 1975	Aid 1975	Aid 1975-80
Costa Rica	44	230	13	53
El Salvador	57	177	21	85
Guatemala	113	110	27	110
Honduras	56	128	21	86
Nicaragua	69	169	14	60
Panama	370	NA	23	97
Total	709	NA	119	491

*\*Includes some imports of products.*

*(millions of \$US)*

significantly to economic development in the area.

Using a complex formula involving allotments and price differentials, the Venezuelan Investment Fund will make quarterly deposits in the Venezuelan National Bank to the credit of each Central American national bank. The first deposits were made at the end of March. The banks issue six-year certificates of deposit for the loans, which reportedly bear an interest rate of about 8 percent a year. The deposits will continue only until the year's purchases equal oil shipment allotments specified by Venezuela for each country. The allotments in 1975 for most of the countries are considerably below their 1974 imports from Venezuela and will be reduced by one sixth each year from 1976 on.

Although the six-year loans apparently can be used for any type of foreign remittances, they will not go far toward solving the Central Americans' balance-of-payments problems. The projected aid will cover only about one sixth of the total Central American oil bill in 1975, or about 10 percent of the six countries' combined trade deficit, which has ballooned with rising prices of imported equipment and raw materials and declining prices and reduced volume of their exports.

Of greater potential benefit over the longer term is a provision whereby the Central American countries can exchange the six-year certificates for development loans running up to 25 years. These funds, however, would then be restricted to projects approved by Venezuela—principally those already receiving, or approved to receive, financing from other sources. If converted, the Venezuelan loans to the six countries could equal about three fourths of probable loans by the US and the leading international development financing agencies combined over the next six years.

This program will considerably increase the funds available for Central American economic development over the next several years, as the countries certainly will opt to convert most of the six-year loans before maturity. Since the Venezuelan funds can be used to cover domestic costs of development projects receiving other international financing, they may prove quite valuable to the Central American countries despite the relatively high interest rates. Central American sources of credit are limited, and domestic costs of development projects frequently strain national budgets. Moreover, the countries may be able to refinance their obligations as they come due and thus defer payment over a considerably longer period.

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## ECUADOR: CRITICISM GOES PUBLIC

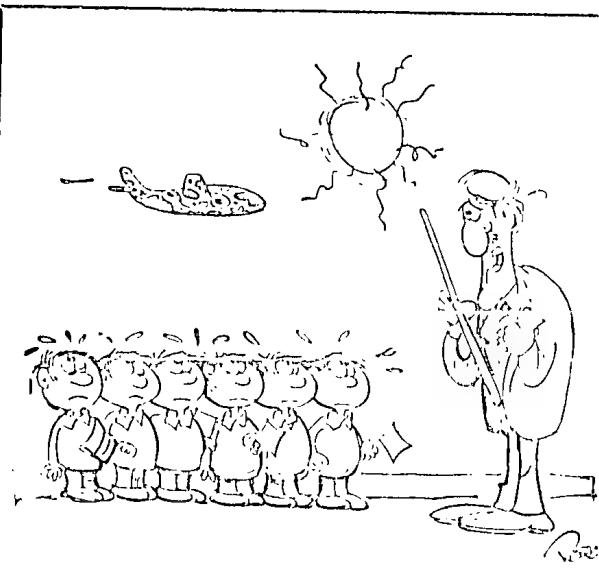
The civilian opposition has launched its first significant press campaign to discredit President Rodriguez' three-year-old military government. This anti-regime activity follows close on the heels of an attempt by dissident officers to overthrow Rodriguez in mid-March.

Several respected columnists, among them former foreign minister Julio Prado, have strongly criticized some aspects of Rodriguez' ten-day state visit to Algeria, Romania, and Venezuela, during which the coup was to have taken place. Rodriguez' \$600,000 budget for the trip has been attacked as exorbitant—apparently a veiled charge that the corruption characteristic of previous governments has finally made its way into the present one. Another attack was leveled at the government's efforts to organize a "spontaneous" demonstration of patriotism and affection to welcome Rodriguez home—complete with the issuance of flags to school children and civil servants, who were given the day off for the occasion.

Most embarrassing to the government, however, has been pointed press criticism of Rodriguez' promotion to major general while out of the country. The minister of defense took half-page advertisements in principal newspapers defending his promotion of the President and challenging the attackers to a public debate, thus playing into the critics' hands by over-reacting. Prado, among others, immediately accepted the challenge, putting the minister of defense and, by extension, the President in an awkward position. Two unidentified men soon thereafter ransacked the offices of Prado's newspaper, and government spokesmen began a counterattack on critics of the regime.

During most of his first year in office, Rodriguez was viewed by many Ecuadoreans as something of a bumbler and a buffoon. Since that time he has provided ample evidence of his general competence and leadership skills, but may find his image slipping again as a result of the media campaign and his own disproportionate reaction. This in turn may increase the incipient anti-Rodriguez sentiment within the armed forces. Rodriguez' position can only suffer if the hostility between the press and the government does not abate. One solution, in that event, could be the President's removal and his replacement by another officer.

EL COMERCIO



*"Now, dear children, you will learn how to stage a spontaneous welcome."*

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## ARGENTINA: BUYING TIME

President Maria Estela Peron fought back at her detractors last week and seems to have bought some political breathing space, but she still must face up to a number of demands from labor and political leaders.

In an emotional speech to representatives of the massive Peronist trade union confederation, she made a strong plea for worker support

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President Peron

and suggested that many of Argentina's problems were being caused by enemies seeking to discredit and undermine her government. Mrs. Peron frequently invoked her dead husband's name, but had little to offer beyond a promise to fulfill his programs and to consult with labor more frequently. She did not respond specifically to the document released last week by union leaders spelling out complaints against her policies.

The labor leaders apparently decided not to spoil the President's warm welcome by the assembled delegates, and they postponed a

private meeting with her at which they had planned to express their dissatisfaction with government officials and worsening economic conditions. Nevertheless, labor's determination to press for increased power is likely to make any easing of strains temporary.

In yet another effort to quiet her detractors, Mrs. Peron met with political leaders allied with the Peronists. After listening to criticism of her economic policies and of her "deteriorating image"—an allusion to the influence of her adviser, Lopez Rega—she promised to meet with the politicians monthly, but she stoutly insisted that no one told her what to do.

Peronist legislators, meanwhile, delivered a strongly worded secret document to party vice president Raul Lastiri protesting the government's lack of coherent direction and the dominant role played by certain key officials.

The expulsion of 13 prominent left-wing Peronists from party ranks on April 4 was undoubtedly intended to appease some of the President's critics on the right. It is unlikely, however, that she can win back their much-needed support unless she gets rid of Lopez Rega and makes some major concessions to labor's demands for a larger voice in government.

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Lopez

## HONDURAS: NEW LEADERS EMERGE

The reformist field-grade officers who forced Chief of State Lopez to relinquish command of the armed forces on March 31 are moving to assume control of the government. No particular leaders have emerged from among the lieutenant colonels and majors, however, and the country's immediate future remains in doubt.

The officers probably prefer to remain temporarily behind Lopez and his one-time protege, Colonel Melgar, the new chief of the armed forces. They presumably fear that an abrupt government change could result in a power vacuum, jeopardizing their own unity and the prevailing civil order. Their determination to wipe out corruption may force them to remove Lopez from even his figurehead position, however, in the wake of a scandal involving a \$1.25-million bribe paid by United Brands Fruit Company to an "unidentified Honduran official." All indications are that Lopez knew of the bribe and in all probability was the recipient of the money.

The younger officers have already removed all but two of the country's colonels from command positions, and cabinet changes are planned as well. Although two of the colonels have been

offered cabinet posts, most have been retired or assigned abroad.

If the new collective leadership consolidates its power as expected, it will probably not change the country's ideological orientation. Indeed, the field-grade officers seem more socially aware than their seniors and would probably accelerate existing reform programs. They share the old guard's skepticism of civilian rule and want to take a more active role in the nation's development. They believe that a modernized military, with effective leadership, is best suited to resolve the country's problems.

Having lost control of the military, Lopez apparently realizes that he cannot buck the tide now turning against him and that he soon may have to step down as chief executive. There are signs, however, that some embittered officers will resist the changes. They will probably label the reformers "leftists" in an attempt to attract support from conservatives at home and possibly in neighboring countries.

The Central Americans have recently demonstrated a renewed determination to improve regional relations and are anxiously awaiting the outcome of developments in Honduras. The Salvadorans are particularly interested in any leadership change in Tegucigalpa. The younger Honduran officers apparently feel that a settlement of the Salvadoran border feud is not only possible but is long overdue, despite lingering resentment and suspicion. Nearly all were active in the military during their country's five-day war with El Salvador in 1969.

Hondurans in general seem confused by these changes. Politicians are likely to call for elections, although they probably do not expect a return to constitutionalism in the near future. The parties have not been severely repressed but, fearing government reprisals, the political leaders have restricted themselves to organizational affairs and limited propagandizing. Lopez' popularity among the peasant groups that supported his return to power in 1972 has declined in recent months, and other sectors are reserving judgment until they see how events unfold.

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## PORtUGUESE TIMOR: MORE TALK

Indonesia's armed forces are continuing their contingency preparations for a possible move against the Portuguese colony of Timor but during the past several weeks most activity has been in the diplomatic arena. Recent discussions between Indonesian, Australian, and Portuguese officials have been aimed at trying to head off any precipitate Indonesian action over Timor.

The highest level talks were held last week in Australia between President Suharto and Prime Minister Whitlam. The Suharto trip was billed as an informal visit to Australia returning Whitlam's trip to Indonesia last fall. The timing of the talks and the interest surrounding them, however, were undoubtedly stimulated by Canberra's fear that Jakarta was preparing for an imminent move against Timor.

hand, of those in Whitlam's party who have long opposed the Suharto regime and object to giving it military assistance.

Suharto would prefer to acquire Timor peacefully with all the constitutional niceties preserved, but he would not let this stand in the way of military action if he believes that is the only way to assure Indonesian control. The continuing round of inter-government discussions about Timor may have convinced him that he need not make an early decision on pre-emptive action, as advocated by his military advisers. At the same time, the discussions have doubtless brought home to Indonesian leaders that Lisbon will not simply relinquish the colony to Jakarta. The course of political events in Lisbon itself has increased concern in Jakarta about Portugal's ability to carry through on any long-term promises regarding Timor. Undoubtedly with this in mind, Indonesian officials overseas are presently lobbying hard to promote Jakarta's interests in Timor, trying to head off recriminations in world forums should Jakarta decide to move militarily.

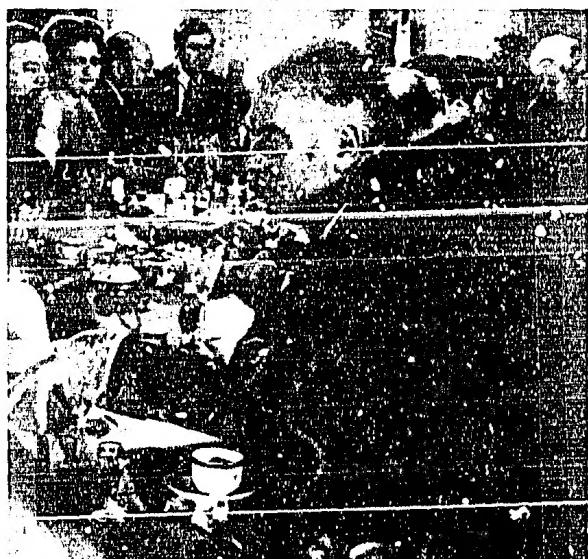
Suharto evidently hopes to get Whitlam's support for his position that Lisbon should arrange a plebiscite in Timor—and should organize the voting to assure victory for forces favoring merger with Indonesia. Lisbon has indicated some sympathy for Jakarta's desire to incorporate Timor and is apparently willing to help Indonesia improve its image among the Timorese, but the Portuguese are unlikely to accede to the kind of blatant thwarting of Timorese self-determination that Jakarta has in mind. Nor would Whitlam want to be a party to such a scheme.

Whitlam is concerned about the consequences that an Indonesian military move would have on the political scene in Australia as well as on bilateral relations. The Australian left has already publicly taken up the cause of the Timorese, and several leftist politicians recently made a much-publicized trip there. Indonesian aggression against Timor would strengthen the

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Whitlam



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